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If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult our stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Weiqiao Textile Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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魏橋紡織股份有限公司 **Weiqiao Textile Company Limited***

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

CONTINUING CONNECTED TRANSACTIONS **(SUPPLY OF COTTON YARN, GREY FABRIC, DENIM AND ELECTRICITY)**

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out in pages 5 to 16 of this circular.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Agreements and the Continuing Connected Transactions, is set out in page 17 of this circular.

A letter from Evolution Watterson Securities Limited containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Agreements and the Continuing Connected Transactions is set out in pages 18 to 23 of this circular.

A notice dated 31 October 2008 convening the EGM to be convened and held on 16 December 2008 at 9:00 a.m. at the conference hall on the Fourth Floor, Company Office Building, No. 1 Wei Fang Lu, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, The People's Republic of China is set out in pages 31 to 35 of this circular. Whether or not you are able to attend the above meetings, please complete and return the enclosed proxy form(s) in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM. Completion and return of the proxy form(s) will not preclude you from attending and voting in person at the meeting(s) or at any adjourned meeting(s) should you so wish.

Reply slip for the EGM have also been enclosed. You are reminded to complete and sign the relevant reply slip and return it to the office of the secretary to the Board, the People's Republic of China on or before 25 November 2008 (Tuesday) in accordance with the instructions printed thereon.

* *The Company is registered in Hong Kong as an oversea company under the English name "Weiqiao Textile Company Limited".*

EXPECTED TIMETABLE

Register of members of the Company closes.....	15 November 2008
Latest time for lodging proxy forms in respect of the EGM	15 December 2008
EGM.....	16 December 2008
Register of members of the Company re-opens	17 December 2008

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DEFINITIONS

In this circular, the following expressions shall have the respective meanings set opposite thereto:

“Agreements”	the three agreements of New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement
“Annual Itochu Cotton Yarn/Grey Fabric Supply Caps”	the annual caps for the continuing connected transactions under the Renewed Supply of Raw Materials Agreement commencing on 1 January 2009 and ended on 31 December 2011
“Annual Parent Cotton Yarn/Grey Fabric Supply Caps”	the annual caps for the continuing connected transactions under the Old Cotton Yarn/Grey Fabric Agreement commencing on 1 January 2006 and ending on 31 December 2008
“Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps”	the annual caps for the continuing connected transactions under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement commencing on 1 January 2009 and ending 31 December 2011
“Annual Supply of Excess Electricity Caps”	the annual caps for the continuing connected transactions under the Supply of Excess Electricity Agreement and the Supplemental Electricity Supply Agreement
“Binteng Textile”	山東濱藤紡織有限公司 (Shandong Binteng Textile Co., Ltd.), a subsidiary of the Company
“Board”	the board of directors of the Company (including the independent non-executive Directors)
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited)
“Continuing Connected Transactions”	the continuing connected transactions under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a RMB-demoninated par value of RMB 1.00 each, which are subscribed for and paid up in RMB

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company proposed to be convened and held on 16 December 2008 (Tuesday) for the Independent Shareholders to consider and, if thought fit, approve the continuing connected transactions to be carried out by the Company pursuant to the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement, the Company’s entering into of the aforesaid Agreements and the relevant annual caps
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holding Company”	山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established in the PRC, being a promoter and the controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent Directors
“Independent Financial Adviser”	Evolution Watterson Securities Limited, the independent financial adviser appointed to make relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the relevant annual caps
“Independent Shareholders”	the shareholders of the Company other than Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo, Ms. Zhang Hongxia and Mr. Qi Xingli for the purpose of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Supplemental Electricity Supply Agreement and the Shareholders for the purpose of the Renewed Supply of Raw Materials Agreement
“Itochu”	Itochu Corporation, a company incorporated in Japan, which is a customer of the Group and a substantial shareholder of Luteng Textile and Binteng Textile

DEFINITIONS

“Latest Practicable Date”	29 October 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Luteng Textile”	山東魯藤紡織有限公司 (Shandong Luteng Textile Co., Ltd.)
“New Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the new cotton yarn/grey fabric and denim supply agreement entered into between the Company and Holding Company on 20 October 2008
“Old Cotton Yarn/Grey Fabric Agreement”	the supply of cotton yarn and grey fabric agreement entered into between the Company and Holding Company on 25 August 2006
“Old Supply of Raw Materials Agreement”	the supply of raw materials agreement entered into between the Company and Itochu on 28 December 2006
“Parent Group”	Holding Company, its subsidiaries and associates (excluding the Group)
“PRC”	People’s Republic of China
“Renewed Supply of Raw Materials Agreement”	the supply of raw materials agreement which will be automatically renewed in accordance with the provisions in the Old Supply of Raw Materials Agreements for a term of three years commencing on 1 January 2009 and ending on 31 December 2011
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supplemental Electricity Supply Agreement”	the supplemental agreement to the Supply of Excess Electricity Agreement dated 20 October 2008 relating to the amendments of the price clause in the Supply of Excess Electricity Agreement

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“Supply of Excess Electricity Agreement” the supply of excess electricity agreement entered into between the Company and Holding Company for the supply of electricity which is in excess of the actual electricity consumed by the Group to Holding Company for a term 18 March 2008 and ending on 31 December 2010 (both dates inclusive)

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB 0.88 = HK 1.00.

For ease of reference, the names of the PRC-incorporated companies and entities have been included in this circular in both the Chinese and English languages. In the event of any inconsistency, the Chinese name prevails.

LETTER FROM THE BOARD



魏橋紡織股份有限公司 Wei Qiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

Executive Directors:

Zhang Hongxia (*Chairman*)
Zhang Yanhong
Qi Xingli
Zhao Suwen

Registered Office:

No. 34 Qidong Road
Wei Qiao Town
Zouping County
Shandong Province
The PRC

Non-executive Directors:

Zhang Shiping
Wang Zhaoting
Zhao Suhua
Wang Xiaoyun

Principal place of business in Hong Kong:

43th Floor, Gloucester Tower
The Landmark
15 Queen's Road
Central
Hong Kong

Independent Non-executive Directors:

Wang Naixin
Xu Wenying
Chan Wing Yau, George

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS (SUPPLY OF COTTON YARN, GREY FABRIC, DENIM AND ELECTRICITY)

A. INTRODUCTION

Reference is made to the announcements of the Company dated 20 October 2008. According to the aforesaid announcement:

- (a) the Company, on 20 October 2008, entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement for a period of three years commencing on 1 January 2009 to 31 December 2011 pursuant to which the Group will supply cotton yarn, grey fabric and denim to Parent Group. The Old Cotton Yarn/Grey Fabric Agreement was for a term of three years ending on 24 August 2009. The Annual Parent Cotton Yarn/Grey Fabric Supply Caps apply

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to the three years ending on 31 December 2008. The Company and Holding Company entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement with a term which coincides with the period of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, to the effect that the Old Cotton Yarn/Grey Fabric Agreement will not apply to the period from 1 January 2009 to 24 August 2009 and the New Cotton Yarn/Grey Fabric and Denim Supply Agreement will apply to such period. Terms and conditions of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric Agreement except for the amendments to the payment provisions and the scope of products supplied;

- (b) the Old Supply of Raw Materials Agreement has a term of three years commencing on 28 December 2006 and ending on 31 December 2008. Unless either party decides not to renew such agreement within 30 days before expiry of the term and so notifies the other, such agreement will be automatically renewed for another three years upon the expiry of its term. The Company and Itochu have confirmed that they will not issue such notice to each other and therefore, the Old Supply of Raw Materials Agreement will automatically be renewed with a term commencing on 1 January 2009 and ending on 31 December 2011. The Group will continue to supply cotton yarn and grey fabric to Itochu on normal commercial terms under the terms of the Renewed Supply of Raw Materials Agreement; and
- (c) on 20 October 2008, the Company entered into the Supplemental Electricity Supply Agreement with Holding Company for the adjustment of electricity sales price due to the significant fluctuation of the price of raw materials for the generation of electricity.

B. SUPPLY OF THE COTTON YARN/GREY FABRIC AND DENIM BY THE GROUP TO PARENT GROUP

1. Date

20 October 2008

2. Parties

Seller: the Company
Buyer: Holding Company

3. Connected person

Holding Company

4. Transaction nature

The Company and Holding Company entered into the Old Cotton Yarn/Grey Fabric Agreement on 25 August 2006, pursuant to which the Company has agreed to supply or procure its subsidiaries to supply cotton yarn and grey fabric to Parent Group for the production of downstream cotton textile products.

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The Old Cotton Yarn/Grey Fabric Agreement was for three years commencing on 25 August 2006 and ending on 24 August 2009. The Annual Parent Cotton Yarn/Grey Fabric Supply Caps for the Old Cotton Yarn/Grey Fabric Agreement apply to the three years ending on 31 December 2008. The Company and Holding Company entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement on 20 October 2008 with a term commencing on 1 January 2009 and ending on 31 December 2011 which coincides with the period of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, to the effect that the Old Cotton Yarn/Grey Fabric Agreement will not apply to the period from 1 January 2009 to 24 August 2009 and the New Cotton Yarn/Grey Fabric and Denim Supply Agreement will apply to such period. Terms and conditions of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric Agreement except for the amendments to the payment provisions and the scope of products supplied.

Pursuant to the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Company will supply or will procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group. The supply of denim to Parent Group by the Group is determined according to the product demands by Parent Group.

5. Pricing basis and Payment terms

The prices of cotton yarn/grey fabric and denim supplied by the Group to Parent Group are determined by reference to the prices at which comparable types of relevant products are supplied by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC.

The Directors have confirmed that the pricing basis agreed between the Company and Holding Company for the supply of the cotton yarn/grey fabric and denim is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

The Company would, on the last business day of each calendar month, prepare a book of the relevant costs/expenses that shall be paid by Holding Company for that month. Holding Company shall, within the first 10 business days of the following month, pay the amount due in full in cash. The change of the date for the payment by Holding Company to the Company from 5 business days under the Old Cotton Yarn/Grey Fabric Agreement to 10 business days under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement was made according to the general time required by the Company and Holding Company to agree the amount due in full.

6. Maximum Aggregate Annual Value

For each of the two years ended 31 December 2007 and the first nine months of the year 2008, the values of the aggregate supply of the cotton yarn and grey fabric by the Group to Parent Group amounted to approximately RMB633,770,000 (equivalent to approximately HK\$720,193,200), approximately RMB888,220,000 (equivalent to approximately HK\$1,009,340,900) and approximately

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RMB940,260,000 (equivalent to approximately HK\$1,068,477,300), respectively. The Director currently estimate that the values of the aggregate supply of the cotton yarn and grey fabric will increase in the forth quarter of the year 2008 due to the increase in demand in new clothing items for the Spring Festival.

The original annual caps for the three years ending on 31 December 2008 were RMB642,200,000 (equivalent to approximately HK\$729,772,800), RMB989,100,000 (equivalent to approximately HK\$1,123,977,300) and RMB1,523,100,000 (equivalent to approximately HK\$1,730,795,500), respectively.

The Directors currently estimate that Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2011 would not exceed RMB2,178,030,000 (after tax, same below for the relevant annual caps) (equivalent to approximately HK\$2,475,034,100), RMB3,114,590,000 (equivalent to approximately HK\$3,539,306,900) and RMB3,426,050,000 (equivalent to approximately HK\$3,893,238,700) respectively.

The Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2011 were determined by reference to (a) the average growth rate of the values of the aggregate supply of cotton yarn and grey fabric by the Group to Parent Group of approximately 54% for the two years ended 31 December 2007 and the first nine months of the year 2008; and (b) the future demands of Holding Company for the three years ending on 31 December 2011, including the production capacity of Holding Company.

7. Reasons for the transaction

Parent Group has a substantial demand for cotton yarn/grey fabric and denim for further processing into downstream cotton textile products for sale to independent third parties. Parent Group is one of the Group's major customers for cotton yarn/grey fabric and denim. The provision of cotton yarn/grey fabric and denim to Parent Group at prices no more favourable than those available to independent third parties falls within the ordinary and usual course of the Group's business. The Directors believe that the establishment of long-term cooperation with Holding Company will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and is of commercial benefit to the Group as a whole. The Board believes that the terms and conditions of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are reasonable and fair and therefore the transaction does not have any disadvantage on the Company.

C. SUPPLY OF COTTON YARN AND GREY FABRIC BY THE GROUP TO ITOCHU

The Old Supply of Raw Materials Agreement has a term of three years commencing on 28 December 2006 and ending on 31 December 2008. Unless either party decides not to renew such agreement within 30 days before expiry of the term and so notifies each other, such agreement will be automatically renewed for another three years upon the expiry of its term. The Company and Itochu have confirmed that they will not issue such notice to the other and therefore, the Old Supply of Raw

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Material Agreement will automatically be renewed with a term commencing on 1 January 2009 and ending on 31 December 2011. The Group will continue to supply cotton yarn and grey fabric to Itochu on normal commercial terms under the terms and conditions of the Renewed Supply of Raw Materials Agreement.

1. Starting Date

1 January 2009

2. Parties

Seller: the Company

Buyer: Itochu

3. Connected person

Itochu

4. Transaction nature

As stated in the announcement dated 28 December 2006, the Group has been supplying cotton yarn and grey fabric to Itochu on normal commercial terms under the Old Supply of Raw Materials Agreement for a term commencing on 28 December 2006 and ending on 31 December 2008. The Group will supply cotton yarn and grey fabric to Itochu on normal commercial terms under the terms of the Renewed Supply of Raw Materials Agreement.

5. Pricing basis and Payment terms

The prices at which cotton yarn and grey fabric are supplied by the Group to Itochu are determined by reference to the prices at which comparable types of cotton yarn and grey fabric are sold by the Group to independent third parties under normal commercial terms in the ordinary course of its business. Itochu will make the payment for the cotton yarn and grey fabric supplied by the Group according to these prices through issuing letter of credit or through wire transfer.

The Directors have confirmed that the pricing basis agreed between the Company and Itochu for the supply of cotton yarn and grey fabric is fair and reasonable, was negotiated on an arm's length basis and constitutes a normal commercial term.

6. Maximum Aggregate Annual Value

For each of the two years ended 31 December 2007 and the first nine months of the year 2008, the values of the aggregate supply of cotton yarn and grey fabric by the Group to Itochu amounted to approximately RMB189,760,000 (equivalent to approximately HK\$215,636,400), RMB48,340,000 (equivalent to approximately HK\$54,931,900) and nil, respectively. The transaction amount for the first nine months of the year 2008 was nil. This is mainly due to that the PRC textile industry is in a depression period.

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The Directors currently estimate that the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps for each of the three years ending on 31 December 2011 would not exceed RMB200,000,000 (equivalent to approximately HK\$227,272,800), respectively.

The Annual Itochu Cotton Yarn/Grey Fabric Supply Caps for the year ending on 31 December 2011 was determined by reference to (a) the average transaction amount for the three years ended 31 December 2007 which was about RMB 183,570,000 (equivalent to approximately HK\$208,602,300); and (b) the future estimated transaction amount under the assumption that the textile industry would improve generally in the PRC. This round of market downturn in the PRC textile industry has already lasted for two years since it started in 2007. From 1 January 2009, the United States will lift their respective quantum restriction on textile products exported from PRC, and the PRC government may adjust relevant policies to stimulate exportation of textile products, including the adjustment of export tax rebate. These factors may, to some extent, improve the market environment of the PRC textile industry.

7. Reason for the transaction

Itochu is an important business partner of the Group. It would be to the Group's advantage to maintain a close business relationship with Itochu. Itochu is one of the key export customers of the Group and is in a position to assist the Group in developing its market in Japan. The Board believes that the terms and conditions of the Renewed Supply of Raw Materials Agreement are fair and reasonable and therefore the transaction does not have any disadvantage on the Company.

D. SUPPLEMENTAL AGREEMENT TO THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT

1. Original provision in the Supply of Excess Electricity Agreement

Reference is made to the announcement of the Company dated 14 January 2008.

The original term in relation to the price under the Supply of Excess Electricity Agreement (the "**Relevant Clause**") was set out below:

The price at which excess electricity is supplied to Holding Company by the Company shall be RMB0.45 per kWh or the price from time to time at which a power plant in Shandong Province would sell electricity produced by itself to the relevant power grid, whichever is higher. If any applicable mandatory price for the supply of electricity is prescribed by the PRC government, it would be adopted instead.

The above price of RMB0.45 per kWh has been determined after arm's length negotiation between Holding Company and the Company, taking into account that RMB0.45 per kWh is a price which (i) is higher than the current price at which a power plant in Shandong Province sells electricity produced by itself to the relevant power grid; and (ii) is lower than the current electricity purchase price charged by power grids in Shandong Province.

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2. Reason for the Supplemental Electricity Supply Agreement to the Supply of Excess Electricity Agreement

Due to the significant fluctuation of the price of raw materials used for the generation of electricity power, the Company, after the negotiation with Holding Company, has agreed to amend Relevant Clause by adding the following provision in the Supplemental Electricity Supply Agreement entered into between the Company and Holding Company dated 20 October 2008:

The Company, according to the price of coal, may increase the price at which excess electricity is supplied to Holding Company by the Company up to the price at which the relevant power grid in Shandong province would sell electricity to companies upon a 10 days' prior written notice to Holding Company.

Other terms and conditions of the Supply of Excess Electricity Agreement and the annual caps for the three years ending on 31 December 2010 under the Supply of Excess Electricity Agreement remain unchanged. Please refer to the announcement of the Company dated 14 January 2008 for details. The Board believes that the grant of the rights for the adjustment of the sales price of electricity would enable the Company to adjust the sale price of electricity according to the price of raw materials and therefore the transaction does not have any disadvantage on the Company.

3. Other informatin of the Supply of Excess Electricity Agreement

(1) *Date*

18 March 2008

(2) *Parties*

(a) Company

(b) Holding Company

(3) *Transaction nature*

The Company and Holding Company entered into the Supply of Excess Electricity Agreement on 18 March 2008, pursuant to which the Company has been supplying electricity which is in excess of the Group's actual electricity consumed, to Holding Company for a term ending on 31 December 2010.

(4) *Payment term*

Holding Company shall pay for the electricity supplied in arrears on a monthly basis based on the actual amount of electricity supplied. The Company will provide the amount due on the last business day of each month and Holding Company shall make the payment within the first 5 business days of the following month.

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(5) *Maximum aggregate annual value*

The maximum aggregate annual price (excluding VAT at the rate of 17%) for the excess electricity supplied under the Supply of Excess Electricity Agreement which is estimated to be payable by Holding Company to the Company for each of the three financial years ending 31 December 2010 are RMB1,350,100,000 (equivalent to approximately HK\$1,534,204,600), RMB1,198,790,000 (equivalent to approximately HK\$1,362,261,400) and RMB1,006,000,000 (equivalent to approximately HK\$1,143,181,900) respectively.

The Annual Supply of Excess Electricity Caps for each of the three financial years ending 31 December 2010 was determined based on:

(kWh)	Financial year ending 31 December 2008	Financial year ending 31 December 2009	Financial year ending 31 December 2010
Projected total electricity generated ¹ (excluding Weihai Power Plant)	8,116,800,000	8,116,800,000	8,116,800,000 ²
Projected total electricity consumed ³ (excluding Weihai Power Plant)	4,925,659,000	5,418,224,000	5,960,047,000
Projected total excess electricity generated	3,191,141,000	2,698,576,000	2,156,753,000

The historical figures for the power purchased by Holding Company from the Group are as follows:

Financial year ending 2005 (RMB)	Financial year ending 2006 (RMB)	Financial year ending 2007 (RMB)
36,815,800	206,372,000	111,393,600

Note 1: The Company currently has a total electricity generation capacity of 660 MW. Immediately after the completion of the acquisition of the relevant thermal power assets under the assets transfer agreement dated 14 January 2008 entered into between the Company and Holding Company, the Company has a total electricity production capacity of 1260 MW. Generally, it takes about one month in a year for the maintenance of power production facilities and therefore the total operating hours amount to approximately 8,000 hours (335 days x 24 hours = 8,040 hours). For the electricity produced by these facilities, a loss of 11% will be generally incurred. The annual projected total electricity generated is calculated as per the formula 1140MW x 8000h x (1-0.11). Please refer to the announcement of the Company dated 14 January 2008 for further information.

Note 2: The projected total electricity generated does not include the projected total electricity generated by Weihai Power Plant which has an installed capacity of 120 MW as Holding Company does not have production base in Weihai and the electricity produced by Weihai Power Plant does not go into the relevant power grid.

Note 3: The average annual electricity consumption rate by the Company (excluding the electricity consumed by the Company's production base in Weihai) is 15% for the past three years ending 31 December 2007. Taking the

LETTER FROM THE BOARD

expected average production growth rate of 15% for the three years ending 31 December 2010 into consideration, the projected total electricity consumed by the Group for the year 2008 is calculated with a growth rate of 20% based on the actual amount of the electricity consumed by the Group in the year 2007. The projected total electricity consumed by the Group for the two years 2009 and 2010 is calculated with a growth rate of 10%. The difference in the growing rate for the three years ending 31 December 2010 is due to the difference in projected expansion rate, the Group requires more electricity.

E. LISTING RULES IMPLICATIONS

Holding Company is one of the promoters and the controlling shareholder of the Company. It therefore constitutes a connected person of the Company under the Listing Rules.

Itochu is the holder of 10.2% interests in Luteng Textile, a 75% owned subsidiary of the Company, and the holder of 25% interests in Binteng Textile, a 75% owned subsidiary of the Company. As it is a substantial shareholder of the above subsidiaries of the Company, it constitutes a connected person of the Company under the Listing Rules. To the best knowledge of the Directors, Itochu does not have any equity interests in the Company.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Renewed Supply of Raw Materials Agreement are more than 2.5%, the transactions contemplated thereunder constitute non-exempt Continuing Connected Transactions subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the Independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

The amendment to the Relevant Clause in the Supplemental Electricity Supply Agreement constitutes material change to the terms of the Supply of Excess Electricity Agreement and therefore is subject to the Independent Shareholders' approval requirement pursuant to Rule 14A.36 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of each of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

F. EGM

The Company proposes to seek the approvals of the Independent Shareholders at the EGM relating to the followings:

- (a) the Company's entering into of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the continuing connected transaction thereunder;

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- (b) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2011; and
- (c) the Supplemental Electricity Supply Agreement to the Supply of Excess Electricity Agreement and the Annual Supply of Excess Electricity Caps as set out in section D of the Letter from the Board in this circular.

The Company will also seek the Independent Shareholder's approval for the Renewed Supply of Raw Materials Agreement and the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps at the EGM.

According to the Listing Rules, Holding Company will abstain from voting at the EGM for the approval of the relevant agreements and annual caps in paragraph F(a), (b) and (c) of the Letter from the Board in the circular. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors and Mr. Zhang Bo, the son of Mr. Zhang Shiping and the brother of Ms. Zhang Hongxia, who hold 23.52%, 3% and 3% of the equity interests in Holding Company respectively, are considered to be parties acting in concert with Holding Company and will abstain from voting at the EGM for the approval of the relevant agreements and annual caps in paragraph F(a), (b) and (c) of the Letter from the Board in the circular. Mr. Qi Xingli, a Director who holds 0.75% of the equity interests in Holding Company will also abstain from voting at the EGM for the approval of the relevant agreements and annual caps in paragraph F(a), (b) and (c) of the Letter from the Board in the circular. None of the Shareholders of the Company needs to abstain from voting at the EGM for the approval of the Renewed Supply of Raw Materials Agreement and the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps.

The votes to be taken at the EGM in relation to the resolutions for approval by the Independent Shareholders of the Agreements and relevant annual caps set out above will be taken by poll.

For the purposes of the EGM, the register of members of the Company will be closed from 15 November 2008 (Saturday) to 16 December 2008 (Tuesday) (both days inclusive), during which no transfer of Shares will be registered. Accordingly, holders of H Shares of the Company and holders of Domestic Shares whose names appear on the register of members of the Company on 14 November 2008 shall have the right to attend the EGM.

Each Shareholder who has the right to attend and vote at the EGM, is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote on his behalf at the EGM.

The relevant proxy form for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy forms in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding of the meeting. Completion and return of the proxy forms will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

G. POLL PROCEDURE

Set out below is the procedure by which Shareholders and the chairman of any Shareholders' meeting may demand a poll pursuant to the articles of association of the Company:

“At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (i) the chairman of the meeting;
- (ii) at least two shareholders, who possess the right to vote, present in person or by proxy; or
- (iii) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand.”

H. RECOMMENDATION

The Board, including the Independent Board Committee, is of the opinion that the terms of the Agreements (including the relevant annual caps) are fair and reasonable so far as the Company is concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends that the Independent Shareholders vote in favour of the resolutions set out in the notice of the EGM for the approval of the Agreements (including the relevant annual caps).

I. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Wang Naixin, Mr. Xu Wenying and Mr. Chan Wing Yau, George, has been formed to advise the Independent Shareholders in respect of the Agreements (including the relevant annual caps). Evolution Watterson Securities Limited has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Agreements (including the relevant annual caps).

LETTER FROM THE BOARD

J. GENERAL INFORMATION

The Group is principally engaged in the production, sale and distribution of cotton yarn, grey fabric and denim. Holding Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth. Itochu is principally engaged in the production and import and export of textile products.

K. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
Weiqiao Textile Company Limited
Zhang Hongxia
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



魏橋紡織股份有限公司
Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

31 October 2008

To the Independent Shareholders

Dear Sir or Madam,

Continuing Connected Transactions
(Supply of Cotton Yarn, Grey Fabric, Denim and Electricity)

We have been appointed as members of the Independent Board Committee to consider the Agreements (including the relevant annual caps) and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 31 October 2008 (the “Circular”), of which this letter forms part, and to advise you as to the fairness and reasonableness of the same. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Agreements (including the relevant annual caps) and the advice and opinion of Evolution Watterson Securities Limited in relation thereto as set out on pages 18 to 23 of the Circular, we are of the opinion that the Agreements (including the relevant annual caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Agreements (including the relevant annual caps) and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of
Independent Board Committee

Wang Naixin
Independent
non-executive Director

Xu Wenying
Independent
non-executive Director

Chan Wing Yau, George
Independent
non-executive Director

LETTER FROM THE EVOLUTION WATTERSON SECURITIES LIMITED

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Evolution Watterson Securities Limited dated 31 October 2008 prepared for incorporation in the Circular:



31 October 2008

*The Independent Board Committee and the Independent Shareholders
Weiqiao Textile Company Limited*

Dear Sirs,

Continuing Connected Transactions relating to the Supply of Cotton Yarn, Grey Fabric, Denim and Electricity

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions as described in the letter from the Board contained in the document dated 31 October 2008 to the Shareholders (the “**Circular**”). Our letter is made for incorporation into the Circular. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Background and details of the Continuing Connected Transactions are set out in the letter from the Board in the Circular. Our role as Independent Financial Adviser is to give our opinion as to whether the terms of the Continuing Connected Transactions contained therein and the respective annual caps are on normal commercial terms, in the ordinary and usual course of business, are fair and reasonable insofar as the Independent Shareholders are concerned.

BASIS AND ASSUMPTIONS

In putting forth our recommendation, we have relied on all relevant information, opinions and facts supplied and representation made to us by the Directors and representatives of the Company, including the Agreements. We have assumed that all such information, opinions, facts and representations, which have been provided by the Directors or representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation.

The Directors have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of the Group or the Parent Group.

LETTER FROM THE EVOLUTION WATTERSON SECURITIES LIMITED

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion on the terms of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

Background of and reason for the New Cotton Yarn/Grey Fabric and Denim Supply Agreement

The Group is principally engaged in the production, sales and distribution of cotton yarn, grey fabric and denim in the PRC. As disclosed in the Company's 2007 annual report, the Group is the largest cotton textile manufacturer in China in terms of the scale of production and an upstream manufacturer in the production chain.

The Holding Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth. As disclosed in the Company's 2007 annual report, sales of cotton yarn and grey fabric by the Group to the Holding Company amount to RMB888.2 million during the year ended 31 December 2007, representing approximately 4.8% of the Group's total revenue.

Prior to the listing of the Shares of the Company in 2003, the Group has been providing cotton yarn and grey fabric to the Parent Group for the production of cotton garments. The Old Cotton Yarn/Grey Fabric Agreement was entered into by the Company and Holding Company on 25 August 2006, pursuant to which the Company has agreed to supply or procure its subsidiaries to supply cotton yarn and grey fabric to Parent Group on normal commercial terms for the production of downstream cotton textile products for the three years ending 24 August 2009.

On 20 October 2008, the Company and Holding Company entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement with a term for three years commencing on 1 January 2009, which replaces the Old Cotton Yarn/Grey Fabric Agreement with effect from 1 January 2009. Save for the payment provisions and the scope of product supplied, terms and conditions of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric Agreement.

Having considered (i) the transactions contemplated under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Parent Group has been one of the major customers of the Company and established a long-term relationship with the Company prior to the listing of the Shares of the Company in 2003, we are of the view that the New Cotton Yarn/Grey Fabric and Denim Supply Agreement is beneficial to the Company and its Shareholders as a whole.

The terms of supplies and payment of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement

Cotton yarn, grey fabric and denim supplied to the Parent Group are for their production of downstream cotton textile products. Over the years, the prices of cotton yarn and grey fabric supplied by the Group to the Parent Group are determined by reference to prices at which comparable types of

LETTER FROM THE EVOLUTION WATTERSON SECURITIES LIMITED

relevant products are sold by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC. As the prices of relevant products supplied by the Group to Parent Group under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement will be determined by the same basis, we are of the view that the basis for determining the terms of supplies to the Parent Group is fair and reasonable so far as the Independent Shareholders are concerned.

As stated in the letter from the Board contained in the Circular, the Holding Company shall, within 10 business days of the following month, settle the amount due in full in cash under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement. Such extension is mainly due to the processing time required by the Company and Holding Company to match up the amount due in full.

Having considered that the Group normally allows a credit period of not more than 45 days to its customers with extended credit period to customers with a long term relationship pursuant to the Company's 2007 annual report, we are of the view that the payment terms of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are on normal commercial terms and fair and reasonable.

The proposed annual caps of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement

The total amount of sales to the Parent Group were approximately RMB633.8 million, RMB888.2 million and RMB940.3 million for the two years ended 31 December 2007 and the nine months ended 30 September 2008, respectively.

The Board expects that the amount of supply of cotton yarn, grey fabric and denim to the Parent Group will amount to approximately RMB2,178.0 million (after tax, same below for the relevant annual caps), RMB3,114.6 million and RMB3,426.1 million for the three years ending 31 December 2011, which will form the annual caps in the respective years.

The aforesaid annual caps of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement were determined by reference to:

- (i) the average growth rate of the values of the aggregate supply of cotton yarn and grey fabric by the Group to Parent Group of approximately 54% for the two years ended 31 December 2007 and for the nine months ended 30 September 2008; and
- (ii) the future demands of Holding Company for the three years ending 31 December 2011, including the production capacity of Holding Company.

Having reviewed and discussed with the Directors the bases and assumptions for determining the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps which including, among other things, (i) the historical increase in sales of cotton yarn and grey fabric to the Parent Group and (ii) the production capacity and scales, the historical sales price and market price of various cotton yarn, grey fabric and denim as estimated by the Parent Group for its expected increase in demand on cotton yarn, grey fabric and denim for determining the proposed annual caps, we are of the view that the bases for determining the proposed Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE EVOLUTION WATTERSON SECURITIES LIMITED

Background of and reason for the Renewed Supply of Raw Materials Agreement

Itochu is principally engaged in the production and import and export of textile products. Through its holding 10.2% interests in Luteng Textile, a 75.0% owned subsidiary of the Company, and 25.0% interests in Binteng Textile, a 75.0% owned subsidiary of the Company, Itochu is regarded as a connected person of the Company.

On 28 December 2006, the Company entered into the Old Supply of Raw Materials Agreement with Itochu whereby the Group agreed to supply cotton yarn and grey fabric to Itochu on normal commercial terms up to 31 December 2008. The Old Supply of Raw Materials Agreement contains a clause that stipulates the agreement will be automatically renewed for another three years upon expiry unless notice is given by either party within 30 days before 31 December 2008. As disclosed in the letter from the Board contained in the Circular, the Company and Itochu have confirmed that they will not issue such notice. As such, the Renewed Supply of Raw Materials Agreement will be effective from 1 January 2009 under the same terms and conditions of the Old Supply of Raw Materials Agreement.

Having considered (i) the transactions contemplated under the Renewed Supply of Raw Materials Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) Itochu has been one of the key export customers of the Company and established a long-term relationship with the Company; and (iii) the transactions contemplated under the Renewed Supply of Raw Materials Agreement would assist the Group in developing its market share in Japan, we are of the view that the Renewed Supply of Raw Materials Agreement is beneficial to the Company and its Shareholders as a whole.

The terms of supplies and payment of the Renewed Supply of Raw Materials Agreement

As the prices of cotton yarn and grey fabric supplied by the Group to Itochu under the Renewed Supply of Raw Materials Agreement will be determined by reference to prices at which comparable types of relevant products are sold by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC. Itochu will settle the payment for the cotton yarn and grey fabric supplied by the Group under the Renewed Supply of Raw Materials Agreement by issuing letter of credit or through wire transfer. Consequently, we are of the view that the terms of supplies and payment of the Renewed Supply of Raw Materials Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The proposed annual caps of the Renewed Supply of Raw Materials Agreement

The total amount of sales to Itochu were approximately RMB189.8 million, RMB48.3 million and nil for the two years ended 31 December 2007 and the nine months ended 30 September 2008, respectively.

The Board expects that the amount of supply of cotton yarn and grey fabric to Itochu will not exceed RMB200 million for each of the three years ending 31 December 2011, which will form the annual caps in their respective years.

LETTER FROM THE EVOLUTION WATTERSON SECURITIES LIMITED

The aforesaid annual caps of the Renewed Supply of Raw Materials Agreement were determined by reference to:

- (i) the average transaction amount for the three years ended 31 December 2007 which was about RMB183.6 million; and
- (ii) the future estimated transaction amount by the Company under the assumption that the textile industry would improve generally in PRC. As stated in the letter from the Board contained in the Circular, from 1 January 2009, the United States will lift their respective quantum restriction on textile products exported from PRC, and the PRC government may adjust relevant policies to stimulate exportation of textiles products, including the adjustment of export tax rebate.

Having reviewed and discussed with the Directors the bases and assumptions for determining the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps which including, among other things, (i) the historical transaction amount of cotton yarn and grey fabric to Itochu and (ii) the market environment of the textile industry as predicted by the Group for its expected transaction amount on cotton yarn and grey fabric for determining the proposed annual caps, we are of the view that the bases for determining the proposed Annual Itochu Cotton Yarn/Grey Fabric Supply Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Background of and reason for the Supplemental Electricity Supply Agreement

To generate additional revenue stream from the sale of excess electricity produced to the Holding Company, the Company has entered into the Supply of Excess Electricity Agreement with the Holding Company, pursuant to which the Company would supply electricity which is in excess of the Group's actual electricity consumed, to the Holding Company for a term up to 31 December 2010.

Under the Supply of Excess Electricity Agreement, the price at which such excess electricity is sold to the Holding Company by the Company shall be RMB0.45 per kWh or the price from time to time at which a power plant in Shandong Province would sell its electricity produced to the relevant power grid ("**Price to Power Grid**"), whichever is higher. In the event there is any applicable mandatory price for the supply of electricity to the relevant power grid as prescribed by the PRC government, it would be adopted instead.

As the price of raw materials for the generation of electricity power has fluctuated significantly, the Company, after negotiation with the Holding Company, has entered into the Supplemental Electricity Supply Agreement on 20 October 2008.

Pursuant to the Supplemental Electricity Supply Agreement, the Company may increase the price of excess electricity supplied to the Holding Company up to the price at which the relevant power grid in Shandong province would sell electricity to companies ("**Price off Power Grid**") upon a 10 days' prior written notice to the Holding Company. Other terms and conditions of the Supply of Excess Electricity Agreement and the annual caps for each of the three years ending 31 December 2010 are still applied.

LETTER FROM THE EVOLUTION WATTERSON SECURITIES LIMITED

The revised adjustment mechanism allows the Company to raise selling price with reference to Price off Power Grid instead of Price to Power Grid as per the Supply of Excess Electricity Agreement. As the Price off Power Grid is usually higher than Price to Power Grid, the Company is likely to charge higher selling price from the Holding Company and as a result, to improve the Group's profit margin under the revised adjustment terms.

Save for the above, other terms and conditions of the Supply of Excess Electricity Agreement, including the annual caps for the supply of electricity to the Holding Company, remains unchanged. Thus, under the Supplemental Electricity Supply Agreement, the maximum annual sales of excess electricity from the Company to the Holding Company (excluding VAT at the rate of 17%) for the three years ending 31 December 2010 are continued to be approximately RMB1,350 million, RMB1,199 million and RMB1,006 million, respectively, as the Company has already included a buffer of an expected increase in electricity price of 5% per annum under the Supply of Excess Electricity Agreement.

Based on the aforesaid, we are of the view that the Supplemental Electricity Supply Agreement is on normal commercial terms and beneficial to the Company and the annual caps for the supply of electricity are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Agreements and the Continuing Connected Transactions contained therein are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (ii) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, Annual Itochu Cotton Yarn/Grey Fabric Supply Caps and the annual caps for the supply of electricity to Holding Company for the three year ending 31 December 2010 are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to approve the Agreements and to approve the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps and Annual Itochu Cotton Yarn/Grey Fabric Supply Caps for each of the three years ending 31 December 2011 and the annual caps for the supply of electricity to Holding Company for the three years ending 31 December 2010 at the forthcoming EGM.

Yours faithfully,
For and on behalf of
Evolution Watterson Securities Limited
Edward Wu
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests in Shares

As at the Latest Practicable Date, the interests of the directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Domestic Shares of the Company:

		Number of Domestic Shares <i>(Note 1)</i>	Approximate percentage of total issued Domestic Share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
	Type of interest			
Zhang Hongxia <i>(Executive Director/Chairman)</i>	Beneficial	17,700,400	2.27	1.48
Qi Xingli <i>(Executive Director)</i>	Beneficial	6,042,500	0.77	0.51
Zhang Shiping <i>(Non-executive Director)</i>	Beneficial	5,200,000	0.67	0.44

Note 1: Unlisted shares

Interests in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO) are as follows:

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital (%)
Zhang Shiping (<i>Non-executive Director</i>)	Holding Company	Beneficial	23.52
Zhang Hongxia (<i>Executive Director</i>)	Holding Company	Beneficial and interest of spouse (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive Director</i>)	Holding Company	Beneficial	1.63
Qi Xingli (<i>Executive Director</i>)	Holding Company	Beneficial	0.75
Wang Zhaoting (<i>Non-executive Director</i>)	Holding Company	Beneficial	0.25
Zhao Sunwen (<i>Executive Director</i>)	Holding Company	Beneficial	0.38
Liu Mingping (<i>Supervisor</i>)	Holding Company	Beneficial	0.14
Zhao Suhua (<i>Non-executive Director</i>)	Holding Company	Beneficial and spouse (<i>Note 2</i>)	3.09 (<i>Note 2</i>)
Wang Xiaoyun (<i>Non-executive Director</i>)	Holding Company	Beneficial	0.25

Note 1:

48,000,000 shares of Holding Company were beneficially held by Ms. Zhang Hongxia. 43,676,000 shares of the Holding Company in which Ms. Zhang Hongxia was deemed to be interested under SFO were directly held by Mr. Yang Congsen, the husband of Ms. Zhang Hongxia.

Note 2:

4,500,000 shares of the Holding Company were beneficially owned by Ms Zhao Suhua, who is deemed to be interested in the 44,911,000 shares directly held by her husband, Mr. Wei Yingzhao under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the directors, supervisors or chief executive of the Company nor their associates had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' and Supervisors' Interest in any Asset Acquired, Disposed or Leased

As at the Latest Practicable Date, save and except for the Thermal Power Assets, none of the Directors and supervisors of the Company has any material interest, direct or indirect, in any asset which, since 30 June 2008, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director or a supervisor of the Company had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular. None of the Directors or their respective associates has any competing interest (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company for the purpose of the Listing Rules).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to any Directors, supervisors or the chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Interests in the Domestic Shares of the Company:

Name of shareholders	Class of Shares <i>(Note 1)</i>	Number of Shares	Approximate percentage of total issued domestic share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Holding Company	Domestic Shares	738,895,100	94.64	61.86
Zouping County Supply and Marketing Cooperation Union ("ZCSU")	Domestic Shares <i>(Note 2)</i>	738,895,100	94.64	61.86
CITIC Trust Co., Ltd.	Domestic Shares <i>(Note 3)</i>	738,895,100	94.64	61.86

Interests in the H Shares:

	Number of H Shares <i>(Note 4)</i>	Approximate percentage of total issued H Share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Brandes Investment Partners, L.P.	89,942,500 <i>(long position)</i> <i>(note 5)</i>	21.75	7.53
The Bank of New York Mellon	71,133,200 <i>(long position)</i>	17.20	5.96
	63,541,500 <i>(lending pool)</i> <i>(note 6)</i>	15.36	5.32
The Bank of New York Mellon Corporation	71,133,200 <i>(long position)</i>	17.20	5.96
	63,541,500 <i>(lending pool)</i> <i>(note 7)</i>	15.36	5.32
Mellon Financial Corporation	41,073,100 <i>(long position)</i> <i>(note 8)</i>	9.93	3.44
AllianceBernstein L.P.	34,563,500 <i>(long position)</i> <i>(note 9)</i>	8.36	2.89
Wellington Management Company, LLP	25,260,500 <i>(long position)</i> <i>(note 10)</i>	6.11	2.11

1. Unlisted shares.
2. These 738,895,100 Domestic Shares in which ZCSU was deemed interested under the SFO were directly held by the Holding Company, in which ZCSU had a controlling interest.
3. These 738,895,100 Domestic Shares in which CITIC Trust Co., Ltd. was deemed interested under the SFO were directly held by the Holding Company, in which ZCSU had a controlling interest. CITIC Trust Co., Ltd. is a trustee of ZCSU.
4. Shares listed on the Main Board of the Stock Exchange.
5. 89,942,500 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
6. 71,133,200 H Shares was held by The Bank of New York Mellon as a custodian corporation/approved lending agent.

7. 71,133,200 H Shares in which The Bank of New York Mellon Corporation, with the registered office situated at One Wall Street, New York, New York 10286, was deemed interested under SFO were directly held by The Bank of New York Mellon which is a corporation 100% controlled by The Bank of New York Mellon Corporation.
8. 41,073,100 H Shares in which Mellon Financial Corporation was deemed interested under SFO were directly held by the Boston Company Asset Management LLC, an corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.
9. 1,193,000 H Shares in which AllianceBernstein L.P. was deemed interested under SFO were held by AllianceBernstein Corporation of Delaware which is a corporation wholly controlled by AllianceBernstein L.P. 757,900 H Shares and 435,100 H Shares in which AllianceBernstein L.P. was deemed interested under SFO were held by AllianceBernstein Limited and AllianceBernstein Investment Management Australia Limited respectively which is a corporation wholly controlled by AllianceBernstein Corporation of Delaware.
10. 25,260,500 H Shares were held by Wellington Management Company, LLP in its capacity as investment manager.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation, other than statutory compensation.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2007, the date to which the latest audited financial statements of the Group were made up.

7. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. CONSENT AND EXPERT

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

Name	Qualification
Evolution Watterson Securities Limited	Licensed corporation under the SFO for conducting type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO

Evolution Watterson Securities Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, (i) Evolution Watterson Securities Limited had not any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) Evolution Watterson Securities Limited had not any shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate any persons to subscribe for securities of any members of the Group.

9. MISCELLANEOUS

- (i) The legal address of the Company is at No. 34 Qidong Road, Weiqiao Town, Zouping County, Shandong Province, The People's Republic of China.
- (ii) The address of the head office of the Company is No. 1 Wei Fang Lu, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, The People's Republic of China.
- (iii) The principal place of business of the Company in Hong Kong is 43th Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.
- (iv) The Company's branch share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited.
- (v) The secretary of the Company is Ms Zhao Suwen, a qualified PRC economist. Ms Zhao is an affiliated person of the Hong Kong Institute of Chartered Secretaries and was accepted by Stock Exchange as an individual who meets the requirements of a secretary under Rule 8.17 of the Listing Rules.

- (vi) Mr. Zhao Weijian (“**Mr. Zhao**”), being a PRC qualified accountant, is the qualified accountant of the Company appointed under Rule 3.24 of the Listing Rules. Mr. Zhao is able to meet the requirement as set out in Rule 3.24 of the Listing Rules except that he is not a fellow or associate of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) or a similar body of accountants recognized by HKICPA for the purpose of granting exemptions from the examination requirement for membership of HKICPA (the “**Rule 3.24 Requirement**”). The Stock Exchange has agreed to grant a three-year conditional waiver to the Company from strict compliance with Rule 3.24 of the Listing Rules commencing from 22 December 2004. The conditions are: (i) the fulfillment of Rule 3.24 Requirement; (ii) Mr. Mai Wai Ho, an associate member of the HKICPA and the Association of the Chartered Certified Accountants, will assist Mr. Zhao for a period of 3 years and (iii) the Company will disclose the brief biographical details of Mr. Zhao in the annual report of the Company. The Stock Exchange has agreed to grant a three-year conditional waiver to the Company from strict compliance with Rule 3.24 of the Listing Rules commencing from 21 February 2008. The waiver will cease on 20 February 2011 or once Mr. Mai Wai Ho is unable to assist Mr. Zhao, whichever is the earlier.
- (vii) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Coudert Brothers in association with Orrick, Herrington & Sutcliffe LLP on the 43th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of the circular:

- (a) the articles of association of the Company;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (c) the letter issued by Evolution Watterson Securities Limited, the text of which is set out on pages 18 to 23 of the circular;
- (d) The Agreements, the Old Cotton Yarn/Grey Fabric Agreement, the Old Supply of Raw Materials Agreement and the Supply of Excess Electricity Agreement; and
- (e) the annual report of the Company for the financial year ended 31 December 2007 and the interim report of the Company for the first half year of 2008.

NOTICE OF THE EGM



魏橋紡織股份有限公司
Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Weiqiao Textile Company Limited (the “**Company**”) will be convened and held at 9:00 a.m. on 16 December 2008 (Tuesday) at the conference hall on the Fourth Floor, Company Office Building, No. 1 Wei Fang Lu, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, The People's Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following resolutions:

AS ORDINARY RESOLUTION

RESOLUTION NO. 1

“**THAT:**

- (a) the Company's entering into of the new cotton/grey fabric and denim supply agreement (“**New Cotton/Grey Fabric and Denim Supply Agreement**”) with 山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited) (“**Holding Company**”) on 20 October 2008 for a period of three years commencing from 1 January 2009 and ending 31 December 2011 be and is hereby approved and confirmed;
- (b) the estimated maximum values of the annual aggregate supply of cotton yarn, grey fabric and denim by the Company and its subsidiaries (the “**Group**”) to Holding Company, its subsidiaries and associates (the “**Parent Group**”) (as set out in the announcement of the Company dated 20 October 2008 and the circular of the Company dated 31 October 2008 of which this notice forms part) for each of the three years ending 31 December 2011 be and are hereby approved and confirmed; and
- (c) any director of the Company be and is hereby authorised to do such other acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the New Cotton/Grey Fabric and Denim Supply Agreement and the continuing connected transaction contemplated thereunder with such changes as the directors of the Company may consider necessary, desirable or expedient.”

NOTICE OF THE EGM

RESOLUTION NO. 2

“THAT:

- (a) the Company’s entering into of the agreement renewed in accordance with the automatic renewal mechanism set out in the Old Supply of Raw Materials Agreement (“**Renewed Supply of Raw Materials Agreement**”) with Itochu Corporation (“**Itochu**”) on 28 December 2006 for a period of three years commencing from 1 January 2009 and ending 31 December 2011 on the same terms and conditions as the Old Supply of Raw Materials Agreement be and is hereby approved and confirmed;
- (b) the estimated maximum values of the annual aggregate supply of cotton yarn and grey fabric by the Company and its subsidiaries (the “**Group**”) to Itochu (as set out in the announcement of the Company dated 20 October 2008 and the circular of the Company dated 31 October 2008 of which this notice forms part) for each of the three years ending 31 December 2011 be and are hereby approved and confirmed; and
- (c) any director of the Company be and is hereby authorised to do such other acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Renewed Supply of Raw Materials Agreement and the continuing connected transaction contemplated thereunder with such changes as the directors of the Company may consider necessary, desirable or expedient.”

RESOLUTION NO. 3

“THAT:

- (a) the Company’s entering into of the supplemental electricity supply agreement (“**Supplemental Electricity Supply Agreement**”) with Holding Company on 20 October 2008 be and is hereby approved and confirmed;
- (b) the estimated maximum values of the annual aggregate supply of electricity by the Group to Parent Group (as set out in the announcements of the Company dated 14 January 2008 and 20 October 2008 and the circular of the Company dated 31 October 2008 of which this notice forms part) for each of the three years ending 31 December 2010 be and are hereby approved and confirmed; and

NOTICE OF THE EGM

- (c) any director of the Company be and is hereby authorised to do such other acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Supplemental Electricity Supply Agreement with such changes as the directors of the Company may consider necessary, desirable or expedient.”

By Order of the Board
Wei qiao Textile Company Limited
Zhao Suwen
Executive Director and Company Secretary

31 October 2008
Shandong
The People’s Republic of China

NOTICE OF THE EGM

Notes:

- (A) **The H Share register of the Company will be closed from 15 November 2008 (Saturday) to 16 December 2008 (Tuesday) (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company, whose names appear on the Company's register of members at close of business on 14 November 2008, are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, share transfer documents should be lodged with the Company's H Share registrar not later than 4:30 p.m. on 14 November 2008.**

The address of the share registrar for the Company's H Shares is as follows:

**Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong**

- (B) Holders of H Shares and Domestic Shares, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the Office of the Secretary to the Board of Directors of the Company not later than 20 days before the date of the EGM, i.e. on or before 25 November 2008 (Tuesday).

Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

First Floor
Company Office Building
No.1 Wei Fang Lu
Jing Ji Kai Fa Qu
Zouping County
Shandong Province
People's Republic of China
Tel: 86 (543) 4162222
Fax: 86 (543) 4162000

- (C) Each holder of H Shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

NOTICE OF THE EGM

- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (F) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (C) to (D) also apply to holders of Domestic Shares, except that the proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment, thereof in order for such documents to be valid.
- (G) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the EGM, such legal representative should produce his/her ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (H) The EGM, is expected to last not more than half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

* *The Company is registered in Hong Kong as an oversea company under the English name "Weiqiao Textile Company Limited".*